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The hon. Mr. H. G. STOKES :—" I have now to submit to the House the Revised Estimate for the current year, 1930–1931, and the Budget Estimate for the ensuing year, 1931–1932. 11-15 a.m.

2. " The year which is now closing has been remarkable in several ways. Economically, it has witnessed the fuller development of the tendency, already apparent in the latter part of 1929–1930, towards a decline in the prices not only of food-grains, but of industrial crops, and of all, or almost all the principal commodities upon which the prosperity of the population of the province depends. This is not the occasion to attempt any examination of the causes of this phenomenon, whether it be due to world over-production, to the currency policy of different Governments or to a combination of these and possibly other causes. It is enough to note that, owing to causes not within our control, we, in common with the rest of India, have entered upon a period of stagnation of trade and of general economic depression, the duration of which it is impossible exactly to foretell. One thing we know, that it has affected and, so long as it lasts, must continue to affect, very seriously most of our principal sources of revenue, as I think will be apparent from the more detailed survey of the estimates which I shall presently lay before the House. It is not only directly that we are adversely affected. The general economic depression has affected severely the Central Exchequer, and the Government of India have warned us that for some time to come we must not count on them for assistance from the Provincial Loans Fund to the same extent as heretofore.

3. " It is the irony of fate that in a year in which, on the whole, the agricultural conditions have not been unfavourable, the fall in prices should have intervened to disappoint the cultivator in great measure of the returns upon which he counted. The earlier rains of the south-west monsoon fell short, indeed, of expectations in some districts, but the north-east monsoon has been copious and has given supplies to many districts which had for some years been languishing for want of them. Elsewhere, indeed, the weather deity seems to have tried to make up his previous default by somewhat ill-advised efforts. He sent us twice within a few weeks torrential rainfall, far in excess of our requirements. At the end of October, Tanjore, Trichinopoly and Coimbatore districts were visited by floods resulting in extensive damage to crops, irrigation works and communications, while again at the end of November the central districts of the Presidency were visited by a cyclone

which, accompanied by heavy rains passing inland from the vicinity of Madras, caused similar extensive damage in Madras and in the districts of Chingleput, South and North Arcot and Chittoor. Provision has been made in the Revised Estimate for the current year and in the Budget Estimate for 1931–1932 for the expenditure, so far as reported to us, necessary to make good these damages.

4. "Politically, also, the weather in 1930–1931 has been unsettled. The civil disobedience movement has not indeed assumed in this Presidency the formidable dimensions that it has reached in other provinces, nor have its consequences been so deplorable. But it has undoubtedly exercised an appreciably adverse effect on our finances, and has contributed in particular to the marked decline which is apparent in the Excise revenue. *Per contra*, it has compelled us to increase our expenditure on the Police, partly because we have been obliged to add to their strength, and partly because it has been necessary to carry out various movements and concentrations of force in response to varying conditions in different districts, all of which are measures entailing increased expenditure.

5. "I must now turn in greater detail to the Budget that is before the House, but, before doing so, I have to notice one topic, which is of considerable importance. It is concerned with the question of securing more accurate budgeting both as regards Revenue and Expenditure. During the past few years it has on more than one occasion happened that the realized results have been very different from those anticipated—in fact in the past two years we have had, against an expected deficit, a large actual revenue surplus. This has more than once attracted the attention of the Accountant-General and the Auditor-General and of the Public Accounts Committee, and was one of the first subjects to which, on taking office, I conceived it my duty to devote special attention. In part the divergence of facts from anticipations has been due to unexpected betterment in revenue, especially the Excise. Where, as in our case, our revenues depend so largely on agricultural or seasonal conditions it is obviously wiser, as a general rule, to take a cautious view in attempting to make a year's forecast. In particular in the case of the Excise revenue, there enters into the question a further speculative element due to the fact that the revenue on drink and drugs is derived largely from vend-rents, and although broadly speaking, the amount of these over a series of years tends to follow the rise and fall of general prosperity, it is not easy to gauge from year

to year the more immediate causes which may influence bidders in raising or lowering their bids for vend privileges. But it is on the expenditure side that the defective budgeting has been more apparent, due to overestimation on the part of spending departments of the amounts they can properly spend during the year. To some extent this appears to be due to defective departmental methods of working out the detailed expenditure estimates; into that matter we have already in the current year made a partial examination which we propose to continue in 1931-1932 by placing an officer of the Finance Department on special duty to examine those methods, to indicate defects and to suggest remedies. I have hopes that, when the estimates for the next year come to be compared with the actuals, the result will be to disclose a considerable improvement, but the House will understand that the habit of overbudgeting which, it is to be feared, has taken root in some departments may take some years completely to eradicate. To some extent also a defect in the Legislative Council rules has contributed, in that token grants for supplementary expenditure were not admissible, with the result that the House had often to be asked to vote the full amount required when it subsequently turned out that the money might have been found by reappropriation and that all that was really required was that the House on a token motion should give its approval to the scheme. That defect has only recently been remedied by an amendment of the rules. Nor, lastly, have instances been wanting in which, in response to pressure from this quarter or that, considerable sums have been included in the Budget for schemes so immature that in the ordinary course there was little real probability of the money being actually spent. But whatever the causes, the disadvantages both to the Government and to the House of such inaccurate estimation are obvious in that it divorces the estimates from reality, and tends to obscure the financial position. In dealing with the estimates for 1931-1932 the demands of several departments have been drastically cut down partly by reason of the general financial stringency, but partly, also, because we were not convinced, having regard to past experience, that the money asked for would probably be spent. It may indeed result, from our attempts to improve matters, that the House may be asked, more frequently than heretofore, to make in the course of the year supplementary grants. Should that occur, each case will, of course, have to be considered on its merits. But what I would ask the House now to bear in mind is that supplementary demands do not necessarily indicate bad or careless

original budgeting, and that in any case overestimation of expenditure is a worse evil than underestimation, inasmuch as it tends to diminish the control which the Finance Committee and the House ought to exercise over expenditure. The Government do not doubt that in this matter they will be able to rely on the House to render them, after due examination of any such proposals, all reasonable assistance and co-operation.

REVENUE ACCOUNT.

Accounts of the year 1929-1930.

6. "I now turn to the estimates. The year 1929–1930 opened with a balance of Rs. 539·73 lakhs. The actual revenue was Rs. 1,861·55 lakhs, against which we had an expenditure chargeable to Revenue of Rs. 1,737·46 lakhs, resulting in a revenue surplus of Rs. 124·09 lakhs. Advantage was taken of the existence of ample balances to reduce our debt by Rs. 212·11 lakhs, and the year closed with a balance of Rs. 451·71 lakhs, which is the figure adopted as opening balance in the Revised Estimates of 1930–1931. The effect of reducing debt is, of course, to increase our available resources for recurring expenditure by the amount of the annual equated payments released on the sums repaid.

Revised Estimate for 1930-1931.

7. "We find, looking at the budget figures for 1930–1931, that the revenue was expected to reach a total of Rs. 1,847·25 lakhs. Against this an expenditure of Rs. 1,863·86 lakhs was proposed, resulting in a revenue deficit of Rs. 16·61 lakhs, which was to be met from the accumulated balances. It will be seen from the revised figures for the current year that neither in respect of revenue nor of expenditure have our expectations been fulfilled. It is now, on the basis of nine months' experience, estimated that the current year will close with a revenue total of Rs. 1,775·56 lakhs—a decrease of some Rs. ¾ crore as compared with the Budget Estimate—while our expenditure chargeable to Revenue is now estimated at Rs. 1,831·95 lakhs, giving a deficit of Rs. 56·39 lakhs to be met from the balances. The House will probably desire to go more into detail on these figures, and I propose therefore to add in respect of the main variations on both sides of the account a few remarks by way of comment and explanation.

8. "Taking first the Receipt side, we find under V. LAND REVENUE a decrease of Rs. 16 lakhs, under VI. EXCISE a decrease of Rs. 39 lakhs; under VII. STAMPS there is a fall of

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some Rs. 16 lakhs; VIII. FOREST and IX. REGISTRATION account for about Rs. 4½ lakhs each; while XVI. INTEREST and XVII. ADMINISTRATION OF JUSTICE show a decline of some Rs. 2 lakhs each. There is, on the other hand, an improvement in the Revised as compared with the Budget Estimates under the heads XXVI. MISCELLANEOUS DEPARTMENTS and XXX. CIVIL WORKS, amounting in the latter case to some Rs. 12 lakhs.

"The lower estimate under LAND REVENUE is due to our having made allowance in the current year for decreased receipts owing to floods, and to the adjustment of arrears of land revenue cesses relating to past faslis. No credit has been taken either in the Revised Estimates for the current year or in the Budget for 1931-1932 for any additional revenue from the introduction of resettlement rates in the East and West Godavari and Kistna districts. That is a matter upon which the decision of Government has still to be taken after a consideration of the Economic Enquiry Committee's Report and the views of this House regarding it. The Revised Estimate takes a cautious view, further, of the probable income under EXCISE, STAMPS, FOREST and REGISTRATION on account of the acute general economic depression which all these heads of revenue tend faithfully to reflect. Under EXCISE in particular we have to take note of a continuous decline in the consumption of arrack and a heavy fall in the toddy rentals and in the number of trees marked for the current toddy lease. 11-30 a.m.

"As regards the increases, that of Rs. 12 lakhs under CIVIL WORKS represents our anticipated expenditure during the year out of the money given to us from the petrol tax which is credited to us by the Central Road Development Fund and it is counterbalanced by corresponding expenditure on the other side of the account.

9. "Turning now to the Expenditure side, the Revised Estimate, taken as a whole, shows, as compared with the Budget Estimate for 1930-1931, a decrease of Rs. 31·91 lakhs, notwithstanding the fact that, in pursuance either of supplementary grants by this Council or of authorization by His Excellency the Governor, a sum of Rs. 15·95 lakhs for schemes of new expenditure was added during the year, and provision included in the Revised Estimate. Going more into detail, we find under 22, GENERAL ADMINISTRATION an increase of Rs. 1·38 lakhs due to slight underestimation of requirements. 26. POLICE shows an increase of Rs. 6·70 lakhs, and 46. STATIONERY AND PRINTING one of Rs. 2·26 lakhs. The necessity for these increases has been

recently laid before the House. The expenditure shown against XIII. IRRIGATION WORKING EXPENSES and 15. IRRIGATION includes a sum of Rs. 2·34 lakhs and Rs. 2·21 lakhs respectively on account of repair and reconstruction of works damaged by the floods and cyclone of October and November last. Noticeable decreases occur under 16. IRRIGATION, NAVIGATION, ETC. (— Rs. 3·04 lakhs) due mainly to the fact that a decision regarding the Kattalai Bed Regulator and High Level channel scheme has only recently been come to; under 31. EDUCATION (— Rs. 4·24 lakhs) due to the inability of the various institutions and local bodies to utilize the money provided for their benefit; under 32. MEDICAL (— Rs. 4·07 lakhs) by reason partly of delay in giving effect to certain schemes such as the revision of pay of certain medical Professors, partly to smaller building grants being drawn by private managements, and partly also to savings on hospital diets and European stores due to fall in prices. Under 41. CIVIL WORKS the Revised Estimate figure of Rs. 231·62 lakhs includes a sum of Rs. 12 lakhs for expenditure out of the Road Development Account, a sum of Rs. 1·67 lakhs for other new works and Rs. 5·41 lakhs required for flood and cyclone reconstruction, the bulk of which (Rs. 3·47 lakhs) represents grants-in-aid to certain district boards and municipalities for that purpose. The Revised Estimate under 41. CIVIL WORKS shows a decrease, as compared with the Budget Estimate, of Rs. 16·89 lakhs due mainly to anticipated short expenditure. Under 47. MISCELLANEOUS the House will notice a fall of Rs. 10 lakhs due to the lapse of the provision for writing-off of advances to cultivators in the Bellary and Anantapur districts, Government having decided to remit interest on the advances and not the principal.

10. "The total Revised Estimates of Revenue and Expenditure for 1930–1931 result in a deficit of Rs. 56·39 lakhs which has to be met from the balances. Out of these a sum of Rs. 67·65 lakhs has been adjusted for debt repayment in pursuance of the budget as passed by the Legislative Council, and it is proposed to apply Rs. 44·44 lakhs to finance our capital expenditure. The resulting revenue balance is Rs. 283·23 lakhs, with which we commence the year 1931–1932.

Budget Estimate for 1931–1932.

11. "This brings us naturally to the figures for the Revenue Budget of 1931–1932. On the Receipt side of the Revenue Account the House will find, when comparing the budget figures for 1931–1932 with the Revised Estimates for the current year,

noticeable variations on which comment is needed. In our estimate of LAND REVENUE we have counted on a betterment of Rs. 20½ lakhs over the Revised Estimate for the current year; we anticipate in 1931-1932 a fairly normal season and some increase in miscellaneous revenue. The continued heavy fall of Rs. 29·47 lakhs anticipated under EXCISE is due to the same causes upon which I have commented in discussing the Revised Estimates for the current year. Under STAMPS and REGISTRATION we have budgeted for a slight increase, hoping for a slight recovery in trade conditions during the next twelve months. On the other hand, our estimates for FOREST revenue are lower by Rs. 6·55 lakhs mainly because, under existing conditions, we cannot expect to do well with our sandalwood, of which moreover a smaller quantity is expected to be extracted. Under INTEREST the decrease of Rs. 4·36 lakhs occurs in respect of interest on amounts deposited with the Government of India out of the Provincial balances on which we have to draw to meet our requirements both in the current year and in 1931-1932 as is explained below; the amount that will continue to earn interest is, of course, correspondingly reduced. The other variations call for no special remarks with the exception of those under XXX. CIVIL WORKS and XXXV. MISCELLANEOUS. The increase of Rs. 6·63 lakhs under the former represents mainly the increased amount expected to be credited to this head from the Road Development Account for expenditure during the year and a corresponding debit is included in the Expenditure side under head '41.'

"The general result is that we expect in 1931-1932 a total revenue of Rs. 1,762·72 lakhs which is less than the Revised Estimates of 1930-1931 by Rs. 12·84 lakhs and falls short of what we hoped to have, when the current year's budget was presented, by Rs. 84·53 lakhs—very nearly a crore of rupees.

12. "Coming to the Expenditure side of the account, we estimate that our total expenditure on Part I and Part II schemes taken together will be Rs. 1,772·17 lakhs; of which Rs. 1,733·69 lakhs represents expenditure on Part I commitments and Rs. 38·48 lakhs expenditure on Part II schemes. Under certain items we propose decreased expenditure as compared with the Revised Estimates for the current year. Thus under EXCISE the decrease of Rs. 6·25 lakhs is due mainly to a change in the method of supplying opium and ganja to certain Indian States to whom we are bound by agreement to supply these drugs free of duty. The decrease is also due to a reduction in the cost price of opium by Rs. 3-1-0 per seer, and to the fact that the revised estimate for 1930-1931

includes about Rs. 1 lakh which should normally have been paid in 1929-1930. FOREST shows a decrease of Rs. 1·23 lakhs after provision is made for new exploitation schemes proposed for 1931-1932. Under 22. GENERAL ADMINISTRATION the decrease of Rs. 1·42 lakhs is mainly accounted for by the fact that we need not repeat the provision made during 1931-1932 for general elections, or for the inspection of the Laccadives which are included in the Estimates for 1930-1931. Under the head 26. POLICE a decrease of Rs. 4·10 lakhs is to be noted due mainly to the fact that the Revised Estimates for 1930-1931 include considerable non-recurring expenditure on new schemes, and also increased expenditure on travelling allowances and feeding charges of the police on account of the civil disobedience campaign. Under EDUCATION we find a large decrease of Rs. 37·40 lakhs. Of this amount Rs. 34·50 lakhs was paid in the current year to the Andhra University for which further provision need not be made; no building grant is payable to the Madras University for 1931-1932; smaller provision is required for building grants to local bodies, etc., for works in progress, while expenditure on new educational schemes is included to the amount of Rs. 4·14 lakhs. Under 33. PUBLIC HEALTH we have a decreased provision of Rs. 7·44 lakhs due to smaller provision having been made for grants to the Madras Corporation for water-supply and drainage schemes and for the Bogipalayam housing scheme; a sum of Rs. 7·62 lakhs has been provided for Part II schemes, such as the cost of the anti-drink and drug propaganda and grants to local bodies for *new* water-supply and drainage schemes and for rural water-supply. Under 35. INDUSTRIES is shown a decrease of Rs. 2·44 lakhs which is in part accounted for by the payment in 1930-1931 of certain arrears of bills for 1929-1930 for work done for the Pumping and Boring branch by the Industrial Engineering Workshops and for certain non-recurring expenditure on the purchase of machinery in England; a sum of Rs. ·24 lakh for building and equipment grants to industrial schools and other industrial schemes is included in the year's provision. Under 37. MISCELLANEOUS DEPARTMENTS there is a decrease of Rs. 2·04 lakhs due mainly to financial exigency. We provide, however, a sum of Rs. 1·19 lakhs for certain recurring and non-recurring grants by the Labour department for the benefit of the depressed classes. Under CIVIL WORKS we have reduced the provision under Part I by Rs. 17·96 lakhs. The actual expenditure on civil works has, in the past, constantly tended to be overestimated, and, apart from this consideration, the financial position does not permit of expenditure on so large

a scale as hitherto provided for. Lastly, the House will note that we propose for 1931–1932—as a temporary expedient—to reduce to Rs. 1 lakh the amount of Rs. 3 lakhs usually paid yearly into the Famine Relief Fund. The amount at credit of that fund now stands at Rs. 52½ lakhs, and exceeds by Rs. 12½ lakhs the figure of Rs. 40 lakhs up to which we are bound to maintain a minimum yearly payment of Rs. 3 lakhs; we consider that present circumstances do not require us to continue to contribute at so high a rate.

"The foregoing are the items showing decreased expenditure. Under XIII. IRRIGATION WORKING EXPENSES the estimates rise by Rs. 1·71 lakhs owing to flood and cyclone damage expenditure. Under 15. IRRIGATION there is a corresponding increase of Rs. 3·72 lakhs due to the same cause. Taking all heads together it is calculated that the total bill for flood and cyclone damages will be about Rs. 25 lakhs. Under SUPERANNUATION ALLOWANCES AND PENSIONS there is an increase of over Rs. 2 lakhs which is due to the normal and unavoidable expansion of the pension list.

13. "I do not propose to enter in detail into the Part II schemes included in the proposals. The sums allocated for these schemes stand at about Rs. 38½ lakhs as compared with an allotment in the present year of over a crore. The figure Rs. 38½ lakhs represents, in fact, the anticipated surplus for 1931–1932 of revenue over expenditure if we leave out of account the special charge of Rs. 9½ lakhs required for flood and cyclone reconstruction. These Part II schemes involve an ultimate liability of Rs. 7·59 lakhs recurring and Rs. 66·45 lakhs non-recurring, or Rs. 74·04 lakhs in all. The most important share of it falls to the Local Self-Government Department (Rs. 20·90 lakhs) for Medical, Public Health and Civil Works—Grants-in-aid. Next comes the Law and Education Department with Rs. 5·16 lakhs; the Development Department treads close on the Law and Education Department with Rs. 4·99 lakhs, mostly expenditure on remunerative schemes of forest exploitation; Public Works and Labour Department obtains Rs. 3·45 lakhs, and Public Department Rs. 3·26 lakhs. The percentage of the money available allotted to the 'Reserved' and 'Transferred' departments continues to be, as in previous years, about 16 and 84 per cent respectively.

14. "On the basis of these calculations of our expenditure chargeable to Revenue, we arrive at a total, taking Part I and Part II schemes together, of Rs. 1,772·17 lakhs. Against this we have an estimated revenue of Rs. 1,762·72 lakhs, leaving us

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with a revenue deficit of Rs. 9·45 lakhs. This has been forced on us by the disastrous floods of last October and November. The money has to be met from the balance at our credit.

"That completes the survey, which I trust will not have unduly wearied the House, of the estimates so far as the Revenue Account is concerned.

CAPITAL AND DEBT HEADS.

15. "I have now to ask the indulgence of the House while giving a similar survey of the position in respect of Capital and Debt heads, which shall be as brief as possible.

Accounts of the year 1929-1930.

16. "Turning to the Accounts figures for 1929-1930 relating to Capital and Debt heads, the Budget Estimate was framed for total disbursements of Rs. 188·84 lakhs. The Revised Estimate was Rs. 179·28 lakhs and the Actuals Rs. 160·48 lakhs. At the beginning of the year, there was a balance of Rs. 21·65 lakhs out of the advance sanctioned by the Government of India in 1928-1929 for the Cauvery-Mettur Project. An advance of Rs. 96 lakhs was received from the Government of India during the year for expenditure on the project, making a total of Rs. 117·65 lakhs. The actual expenditure on the project in 1929-1930 was Rs. 90·09 lakhs, leaving a balance of Rs. 27·56 lakhs.

"The disbursements on objects other than the Cauvery-Mettur Project amounted to Rs. 70·39 lakhs, while the recoveries of amounts advanced to local bodies, cultivators, etc., including the unutilized balance of the previous year, were Rs. 73·11 lakhs. There was thus a balance of Rs. 2·72 lakhs left over, which, together with the balance of Rs. 27·56 lakhs out of the advance for the Cauvery-Mettur Project, has been carried forward to 1930-1931.

Revised Estimate for 1930-1931

11-45 a.m. 17. "To come now to the Revised Estimate for 1930-1931. The Budget Estimate for 1930-1931 provided for Rs. 227·05 lakhs for disbursements, but the Revised Estimate, as now framed, indicates that only Rs. 179·24 lakhs are likely to be spent. The decrease of Rs. 47·81 lakhs occurs mainly under the following heads :—

"*Cauvery-Mettur Project* (– *Rs.* 26·80 *lakhs*). Due to delay in the erection of the concrete-placing towers and to sufficient allowance not having been made in the budget for various

factors, such as the difficulty in making arrangements for the efficient feeding of the towers, occasional breakdown of machinery, etc.

"*Loans and Advances by the Provincial Government* (−*Rs.* 16·66 *lakhs*).—The decrease is due mainly to the lapse of the provision of Rs. 8 lakhs for a loan for the Cochin Harbour Works, which is not required as the Cochin Darbar unexpectedly paid up for reclamations in March 1930 and of the provision of Rs. 4·50 lakhs for the Coimbatore water-supply, as the municipal council is taking the loan from the Coimbatore District Board and to smaller disbursements (Rs. 3·01 lakhs) under 'Advances to cultivators.'

"An advance of Rs. 100 lakhs was received from the Provincial Loans Fund in the current year for expenditure on the Cauvery-Mettur Project. There is an unspent balance of Rs. 27·56 lakhs from the previous year's loan, making a total sum available of Rs. 127·56 lakhs. The expenditure anticipated in the current year on the project is provisionally put at Rs. 89·74 lakhs; the balance of Rs. 37·82 lakhs will be carried forward to 1931–1932.

"The disbursements on other than the Cauvery-Mettur Project are estimated at Rs. 89·50 lakhs and will be met as follows :—

	LAKHS.
(1) Unspent balance of recoveries of Provincial loans and advances carried forward from 1929–1930	2·72
(2) Recoveries of Provincial loans and advances in 1930–1931	42·34
(3) Revenue balance	44·44
Total ..	89·50

Budget Estimate for 1931-1932.

18. "For 1931-1932 the Government have decided to borrow from the Provincial Loans Fund Rs. 47 lakhs only for expenditure on the Cauvery-Mettur Project. The money available for the project in the year will then be Rs. 84·82 lakhs which is the estimated expenditure in that year. Since we have to pay interest on the money borrowed, it is obviously not desirable to take from year to year more than we are likely to spend.

"Under 'Other Transactions' the Estimates for 1931–1932 make a provision of Rs. 115·06 lakhs. This sum includes Rs. 4·47 lakhs for the Kattalai scheme. In addition, new

schemes costing Rs. 3·13 lakhs are proposed, making a total expenditure of Rs. 118·19 lakhs. This will be financed partly from recoveries of loans and advances (Rs. 44·42 lakhs) and partly by transfer from the revenue balance of a sum of Rs. 73·77 lakhs, the bulk of which represents expenditure required to push towards completion the Pykara Hydro-Electric scheme. The result will be to reduce our Revenue balance at the close of 1931-1932 to a trifle over Rs. 2 crores. That—apart from any sums which we may in future be able to draw from the Provincial Loans Fund or to raise in the open market—represents the sum of the reserve resources with which, on our present level of taxation and expenditure, we have to face the future.

GENERAL FINANCIAL POSITION.

19. "In presenting to this Council the Budget for the current year, my predecessor gave a brief review of the financial history of the province for the past five years. He was able to point to a rapid expansion in almost all directions, in public health and medical relief, in education, both higher and elementary, and in various other ways. Revenue in that period had grown by about Rs. 200 lakhs, and expenditure by Rs. 386 lakhs being Rs. 38 lakhs in excess of the provincial contributions remitted. At the same time he uttered a warning that temporary affluence tends to lead to extravagance. That warning has been brought home to us in a marked degree by the events of the current year. I have already alluded to the main factors—the political and the economic—of which we have to take note. It is difficult to foresee what the developments in respect of either may be. Although, now that the political clouds show signs of lifting, we may hope for fairer political weather for our ship, we cannot with any confidence predict the economic future. It is impossible to say what further strain may be placed on us if the economic crisis should be prolonged, if prices continue to fall or if the process of adjustment to the new conditions be unduly delayed. We have to face an immediate fall in revenue during 1930-1931 of about Rs. ¾ crore, and a further fall in the ensuing year, while their own financial exigencies have compelled and may continue to compel the Government of India to withhold from us, except in respect of the Cauvery-Mettur Project, the aid in the shape of loans from the Provincial Loans Fund on which we have hitherto been able to rely. Clearly the lean years, whose advent my predecessor so often predicted, threaten us, and it behoves us to moderate the pace, and to take stock of our position, lest by attempting too much we fail to consolidate

what has been begun. To meet the large deficit in the current year, and the lesser one anticipated in the year next ensuing we must draw on our balances; we must also finance from the same source considerable undertakings in progress, to delay the completion of which would be unwise and uneconomical. Against the anticipated balance of some Rs. 2 crores at the end of 1931-1932, we have to set commitments in respect of Part II schemes amounting (if the Part II schemes for 1931-1932 are accepted by the House) to some Rs. 183 lakhs non-recurring, apart from further capital expenditure on Irrigation other than the Cauvery-Mettur scheme or on Hydro-Electric undertakings.

20. "It will perhaps be objected that the proper and normal method of financing schemes of capital expenditure would be from loans, and that, if the Government of India are unable to lend, we ought rather to borrow on our own account in the open market instead of drawing on the balances. As to this, I may observe that, even if we had desired, and the Government of India had granted, permission to us to raise a loan on our own account, the conditions for so doing have been far from favourable; if the Government of India themselves have been obliged, pledging the credit of India, to offer 6 per cent, it is probable that we should have to offer considerably more. Possibly, had conditions been normal and money easy, the course suggested might have been preferable. But money has not been easy, nor are the conditions normal. We have sufficient money in the bank for immediate requirements, and it has seemed to us the part of wisdom to utilize it, and to avoid adding to our debt at a time which is particularly unpropitious for so doing. It is to be remembered that the schemes for which we are so drawing are all remunerative ones, and that, the sooner they are completed, the sooner will they begin to give us a return on our money.

21. "But it may further be objected 'You expect in any case to finish 1931-1932 with a balance of Rs. 2 crores; why then restrict expenditure on Part II schemes instead of budgeting for a larger deficit and drawing still further on the balances to make it good?' I have already indicated the considerations which should, I think, compel us to regard such an attitude of mind as unwise and short-sighted. The affluence we have been enjoying is not so much due to the fact that our normal revenues are elastic or are growing faster than our requirements as to the fact that our expenditure has lagged. Moreover, land revenue resettlement is likely, if a prolonged period of low prices

should now ensue, to result in a decreasing revenue under this head. Nor is the attitude of this Council such as to encourage enhancements, even where, on the theory of resettlement, an enhancement might be justified. As for Excise, the other main source on which we rely, it appears to be the desire of a considerable section to get rid of it altogether without any very clear idea of how it is to be replaced, and too often, I fear, forgetting that an increase in Excise revenue is not in itself a thing necessarily to be deplored, unless it can be shown to be derived from increasing consumption. I do not however, at the present time or in the present connexion, wish to excite a temperance controversy. I have no doubt that, without that, Honourable Members will find no difficulty in filling the vials of their wrath to be poured on my devoted head. I only wish to emphasise the point on which my predecessor so frequently insisted, that you cannot safely go on adding to your recurring and non-recurring commitments year after year, hiding your head in the diminishing sands of your revenue balances, when one principal source of revenue is stagnating and the other is being constantly subjected to the process of attrition. It is desirable to get away from the contemplation of these fascinating but demoralizing balances and to make an effort to see that, apart from them, we achieve at least equilibrium between revenue receipts and revenue expenditure. It had been our hope to do this in the present budget, and it was with this object in view that the Government decided that the Part II schemes for 1931-1932 should be limited to the surplus, after Part I had been provided for. That we have not quite succeeded in achieving equilibrium is due to the abnormal demands made on us for flood reconstruction in so many districts of the Presidency.

22. "To adjust more closely revenue receipts and revenue expenditure should, I consider, be the main object of our policy, balances or no balances. It is essential that we should do this, if the financial credit of the Province is not to suffer detriment, and, without attempting in any way, to prophesy what the financial arrangements as regards provincial borrowing may in future be, I may remind the House that one result of the introduction of provincial autonomy may possibly be that we shall have to rely hereafter far more directly on our own credit than on that of the Government of India as we have been doing in the past.

"Apart from that it is to be remembered that in a year or two—possibly sooner—the great constitutional changes now under consideration may be expected to mature; those changes

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may themselves involve an additional strain on our resources. Even if they do not, it would enormously add to the difficulties of the new responsible Ministry of an autonomous province to be called on to face the future with a depleted banking account and a revenue of which the principal sources are either stationary or declining. It behoves us therefore to husband our resources as much as possible. If during 1931–1932 it becomes apparent that economic conditions do not improve, or if the financial exigencies of the Central Government continue to compel them to restrict financial aid in the shape of loans, we shall be obliged again to take stock of our position. Up to now we have not considered it necessary to set on foot investigations into the possibility of a general retrenchment of expenditure. General retrenchment, however salutary and necessary at times, means disorganization of the machinery, and interruption in the beneficent activities of Government, which it is desirable to avoid if it is possible to do so. But if it appears unavoidable, in order to restore financial equilibrium, we shall have to have recourse to it or to any other method which may be found feasible in order to achieve the desired object.

CONCLUSION.

23. "If I am asked to select a motto to be placed at the head of our Budget it would be *Festina lente* which, being freely interpreted, means 'Wait and see.' The times call for caution, and it is in this spirit that the Budget has been prepared. I do not wish, however, to close on any note of despondency. Our needs are great, but given patience and care in utilizing our resources, we need not despair of meeting them. The economic troubles which we share with the rest of India are severe, but will pass; of political troubles we have had our share in the past ten years, but in that time Madras, while yielding to no part of India in the sincerity of her desire for political progress, has given evidence that the majority of her peoples possess a sanity of outlook which is a hopeful augury for her financial, as well as for her political, future. 12 noon.

24. "It remains only for me to tender to the Members of the Finance and Public Accounts Committees my warm acknowledgments of the valuable assistance they have given in the discharge of the duties laid upon them, both to the Finance Department and to myself. I have also to express the obligation that I owe to the Finance Department generally, and particularly to the Financial Secretary, Mr. H. A. Watson (Hear, hear) and the Budget Assistant Secretary, Rao Sahib T. A. Srinivasaraghava Ayyangar (Hear, hear) for the efficient and loyal